

Inari Amertron (INRI MK)

1QFY26: Misses Expectations; Navigating Choppy Seas

Highlights

- Results missed expectations owing to weaker-than-expected revenue and margin compression. We cut our FY26-27 earnings forecasts by 12-14%.
- Inari is positioning to capture the upcycle in AI-enabled smartphones and rising demand for high-bandwidth optoelectronics across networks and data centres, while broadening its earnings base via the Lumileds acquisition.
- With the share price having rebounded 21% since our last BUY rating report and surpassing our previous target price, we downgrade to HOLD to reflect valuation catch-up, with a new target price of RM2.16.

1QFY26 Results

Year to 30 Jun (RMm)	1Q26	qoq% chg	yoy % chg	3M26	yoy % chg
Revenue	325.8	6.2	(16.0)	325.8	(16.0)
Gross Profit	66.3	2.2	(20.6)	66.3	(20.6)
EBITDA	87.5	10.4	47.1	87.5	47.1
Operating profit	54.5	17.9	124.2	54.5	124.2
Pre-tax profit	54.1	18.7	126.4	54.1	126.4
Net Profit	49.2	0.1	104.0	49.2	104.0
Core Net Profit	51.9	(3.5)	(30.8)	51.9	(30.8)
Margins (%)		qoq ppt chg	yoy ppt chg		yoy ppt chg
Gross Profit	20.3	(0.8)	(1.2)	20.3	(1.2)
EBITDA	26.9	1.0	11.5	26.9	11.5
PBT	16.6	1.7	10.4	16.6	10.4
Core Net Profit	15.9	(1.6)	(3.4)	15.9	(3.4)

Source: Pentamaster, UOB Kay Hian

Analysis

- Below expectations.** Inari Amertron (Inari) reported a softer 1QFY26 core net profit of RM51.9m (-4% qoq, -31% yoy), accounting for 17% our/consensus full-year forecasts respectively. Note that the core net profit has been adjusted for the unrealised forex losses of RM2.9m. The earnings miss was owing to weaker-than-expected revenue, which we attribute to a shortfall from RF discrete and mid band assembly. The group has also proposed the first single-tier DPS of 1.33sen during the quarter.

Key Financials

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,479	1,352	1,349	1,520	1,645
EBITDA	435	360	393	442	481
Operating profit	312	222	267	313	349
Net profit (rep./act.)	300	219	255	304	338
Net profit (adj.)	306	254	255	304	338
EPS (sen)	8.2	6.7	6.7	8.0	8.9
PE (x)	29.1	35.4	35.2	29.5	26.5
P/B (x)	3.2	3.2	3.2	3.2	3.2
EV/EBITDA (x)	15.8	19.2	17.7	15.8	14.6
Dividend yield (%)	3.2	2.3	2.6	3.1	3.4
Net margin (%)	20.3	16.2	18.9	20.0	20.6
Net debt/(cash) to equity (%)	-80.9	-77.5	-75.4	-74.0	-73.0
Interest cover (x)	223.9	187.5	196.4	221.1	240.3
ROE (%)	12.2	9.4	11.9	15.2	18.0
Consensus net profit			297	338	364
UOBKH/Consensus (x)			0.86	0.90	0.93

Source: Inari Amertron, Bloomberg, UOB Kay Hian

HOLD (Downgraded)

Share Price	RM2.38
Target Price	RM2.16
Upside	-9.2%
Previous TP	RM2.36

Analyst(s)

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Stock Data

GICS sector	Information Technology
Bloomberg ticker:	INRI MK
Shares issued (m):	3,792.1
Market cap (RMm):	9,025.3
Market cap (US\$m):	2,185.3
3-mth avg daily t'over (US\$m):	6.5

Price Performance (%)

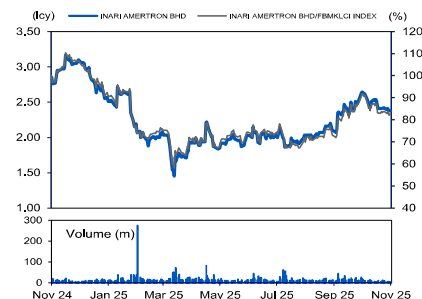
52-week high/low RM3.17/RM1.45

1mth	3mth	6mth	1yr	YTD
(8.8)	17.2	29.4	(19.9)	(22.0)

Major Shareholders

	%
Employees Provident Fund	14.3
Insas Berhad	12.2
Kumpulan Wang Persaraan	10.1
FY26 NAV/Share (RM)	0.74
FY26 Net Cash/Share (RM)	0.55

Price Chart



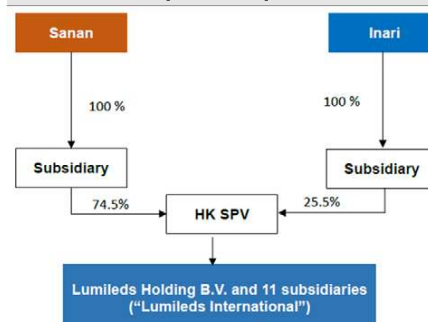
Source: Bloomberg

Company Description

Inari is the largest semiconductor company in Malaysia and a top OSAT supplier for Broadcom's Radio Frequency (RF) components. It also manufactures and assembles optoelectronics and fibre-optics related components.

- **1QFY26 revenue declined 16% yoy**, led by the smartphone (-19%) and automotive (-16%) segments. While core net profit dropped by a larger quantum of 30% on lower operational efficiency, the profit was also severed by adverse forex movements, where the US dollar depreciated 5% against the Malaysian ringgit vis-a-vis 1QFY25. On a qoq basis, despite a 6% revenue improvement, core net profit still dipped 4% due to currency headwinds.
- **Partnering with San'an to acquire Lumileds International.** In partnership with San'an Optoelectronics (San'an), Inari Amertron has announced its plans to jointly acquire 100% shares in Lumileds Holdings B.V. and its 11 Asian and European subsidiary companies (Lumileds International), for a total enterprise value (EV) of US\$239m to be satisfied wholly in cash. Essentially, the final purchase price of the shares would be the sum of the total enterprise value, adjusted for net debt and net working capital adjustment, to be determined within 105 business days after the completion date (3QFY26). The proposed joint acquisition will be done via an SPV to be incorporated in Hong Kong, jointly owned by San'an (74.5%) and Inari (25.5%), and to be accounted for as Inari's associate. Both parties will inject around US\$41m into the HK SPV for working capital purposes totalling to an investment outlay of USD280m. At 25.5% stake, Inari's commitment of US\$71.4m (or RM307m) will be funded by its unutilised private placement proceeds (at RM369.8m).
- **A compelling risk-reward proposition.** While earnings accretion remains contingent on a successful operational turnaround, we are positive on this strategic acquisition as it accelerates Inari's expansion into the automotive and specialty illumination LED segments (and potentially via OSAT insourcing model), aligning with its long-term vision of building a vertically integrated, broader technology platform with a diversified earnings base. Meanwhile, Lumileds' established backend LED assembly operations in Penang (>2,500 staff) offer immediate synergies through geographic proximity and operational familiarity. After the acquisition, beyond gaining exposure to various components in top-tier smartphone OEMs, Inari will also benefit from access to global Tier 1 automotive OEMs, leading LED module suppliers, and specialty LED applications across consumer and industrial markets – effectively reducing customer concentration risk and moderating earnings cyclicity from its existing business.

Shareholding Structure Of Lumileds International Upon Completion



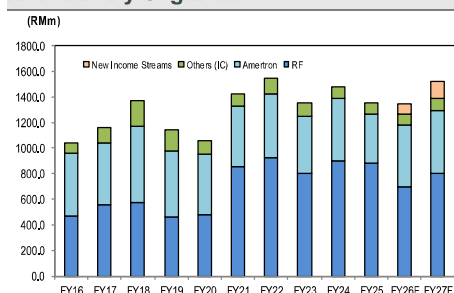
Source: Inari, UOB Kay Hian

Financial Info Of Lumileds International

	31 December 2024/2024 (unaudited) Million USD	31 March 2025/2025Q1 (unaudited) Million USD
Total Assets	515	515
Total Liabilities	305	322
Total Equity	210	193
Revenue	589	141
Net Loss (total comprehensive loss attributable to owner)	-67	-17

Source: Inari, UOB Kay Hian

Revenue By Segment



Source: Inari, UOB Kay Hian

Valuation/Recommendation

- **Downgrade to HOLD with a lower target price of RM2.16**, based on 32.0x FY26F PE (at seven-year mean forward PE).

Earnings Revision/Risk

- We cut our FY26-27 earnings forecasts by 14%/12% to reflect lower RF volume loadings on slimmer margin assumptions.

Environmental, Social, Governance (ESG) Updates

Environmental

- Inari has met globally recognised standards and has been qualified for inclusion into the FTSE4Good Bursa Malaysia Index since 22 Jun 20.

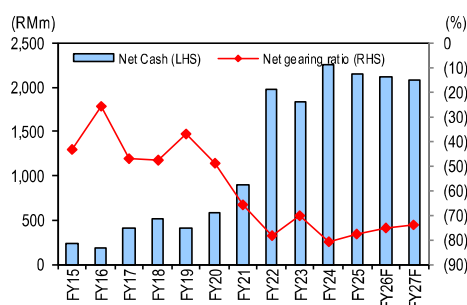
Social

- Only foreign workers with legal work permits are hired, while all employees receive at least minimum wages.

Governance

- The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). No reported incidents of corruption or breaches against policy in 2020.

NET Cash And Net Gearing



Source: Inari, UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	1352	1349	1520	1645
EBITDA	360	393	442	481
Deprec. & amort.	138	126	129	132
EBIT	222	267	313	349
Associate contributions	0	0	0	0
Net interest income/(expense)	-2	-2	-2	-2
Pre-tax profit	220	265	311	347
Tax	-7	-16	-12	-14
Minorities	6	6	6	6
Net profit	219	255	304	338
Net profit (adj.)	254	255	304	338

Balance Sheet

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	760	804	825	843
Other LT assets	3	4	5	5
Cash/ST investment	2,141	2,108	2,083	2,072
Other current assets	500	550	611	656
Total assets	3,402	3,461	3,518	3,570
ST debt	0	0	0	0
Other current liabilities	283	304	336	359
LT debt	0	0	0	0
Other LT liabilities	28	28	28	28
Shareholders' equity	2,764	2,797	2,816	2,839
Minority interest	327	332	338	343
Total liabilities & equity	3,402	3,461	3,518	3,570

Cash Flow

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	321.8	345.9	398.7	443.4
Pre-tax profit	220	265	311	347
Tax	(33)	(16)	(12)	(14)
Deprec. & amort.	122	126	129	132
Working capital changes	(47)	(29)	(29)	(21)
Other operating cashflows	322	346	399	443
Investing	(230)	(150)	(150)	(150)
Capex (growth)	(112)	(150)	(150)	(150)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(118)	0	0	0
Financing	(200)	(229)	(274)	(305)
Dividend payments	(238)	(229)	(274)	(305)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	38	0	0	0
Net cash inflow (outflow)	(108)	(34)	(25)	(11)
Beginning cash & cash equivalent	2,000	1,800	1,766	1,741
Changes due to forex impact	250	342	342	342
Ending cash & cash equivalent	2,141	2,108	2,083	2,072

Key Metrics

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	26.6	29.1	29.1	29.2
Pre-tax margin	16.3	19.7	20.5	21.1
Net margin	16.2	18.9	20.0	20.6
ROA	7.5	9.7	12.2	14.3
ROE	10.9	11.9	15.2	18.0
Growth				
Turnover	(8.6)	(0.2)	12.6	8.3
EBITDA	(17.3)	9.1	12.6	8.7
Pre-tax profit	(28.9)	20.4	17.3	11.4
Net profit	(27.1)	16.5	19.4	11.2
Net profit (adj.)	(27.1)	16.5	19.4	11.2
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(77.5)	(75.4)	(74.0)	(73.0)
Interest cover (x)	187.5	196.4	221.1	240.3

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